

## **MUNICIPAL TAX DUPLICATION REIMBURSEMENT PROGRAM HISTORY & CURRENT STATUS**

- In 1973, Chapter 30A of the Montgomery County Code established a program to reimburse municipalities for those public services provided by the municipalities which otherwise would be provided by the County government.
- Two years later, in 1975, the State Tax Duplication Law was first enacted as Article 81, Section 32A.
- Since enactment of Chapter 30A, the County practice for determining what municipal services will be reimbursed, the amount of the reimbursement, and the procedures for reimbursing each municipality has been established in a series of Council Resolutions.
- In 1995, a joint task force of County and municipal representatives established by the County Executive studied the Municipal Tax Duplication Program. The task force was directed to review and make recommendations to improve procedures and formulas used to determine the amount of the reimbursement. The task force submitted its final report and recommendations in June 1996.
- Several Resolutions have been adopted provide reimbursement to municipalities: Resolution 8-2222, adopted September 1978; Resolution 9-1492, adopted October 13, 1981; and resolution 13-650, adopted September 10, 1996.
- The current payments to municipalities are based on the final report of the Task Force to study the Municipal Tax Duplication Reimbursement Program dated June 5, 1996 and adopted by Resolution 13-650. Following are some of the recommendations:
  - Payments should be made once a year before September 15<sup>th</sup> based on the previous two years actual expenditure. For example, for FY05 payments, calculations are done based on the actual costs to the County for FY03 and municipalities are paid by September 15<sup>th</sup> 2004.
  - Municipalities will be reimbursed based on what the County would have spent had the County performed the service in the municipality.
  - Municipalities will not be required to submit their expenditures but will be required to provide annual certification of eligible service.
- The municipalities are reimbursed for a range of services in addition to Transportation Services, including Senior Services, Park Maintenance, Human Relations and Animal Control.
- The Police services payment to the City of Takoma Park is based on the Memorandum of Understanding (MOU) between the County and the City, approved by the City Council in September 2002.

### Components of the Road Maintenance Reimbursement

Roadway Maintenance

Strom Damage

Resurfacing cost

Traffic cost

Energy cost for Street lighting

Maintenance of Street lighting

Total Maintenance	\$40.30 million
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County Miles	2,559 miles
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Payment per mile	\$15,763
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### **Issue for Future Consideration**

Limit MTD payment only to the property tax portion of County's revenue

- The purpose of tax duplication is so that municipal residents do not pay twice for services, once through the county general property tax and another through the municipal property tax.
- If the cost of the County's services is not adjusted to reflect only that portion that is paid for by property taxes, then the County is overpaying the municipality because the property tax is the one tax that the two jurisdictions use to pay for the duplicated services.
- Income taxes are shared between the municipality (17%) and the County (83%) Transfer tax, fuel energy, telephone tax, etc. are exclusively imposed by the County. The municipal and county residents pay this tax once.
- The reimbursement formula already adjusts for non-property tax sources including State Highway User fees, Takoma Park Police Aid, and user fees.
- If the reimbursement formula did not adjust for the non-property tax revenues then County residents would be subsidizing the higher level of service enjoyed by municipal residents.
- Above all, Council Resolution 13-650 adopted September 10, 1996 supports the recommendations of the task force which were to base the reimbursements upon the net County property tax supported expenditures.
- Any change would be phased in over time to lessen the impact on the municipalities.